

CONFIDENTIAL

Finger Lakes LPG Storage, LLC

Work Plan and Interim Report to Evaluate International Gallery 10 and Well 29

Table of Contents

I. Introduction and Overview	1
II. Approved Work Plan	2
III. Coordination with DEC	3
IV. Report on International Gallery 10 Drilling Activities Under Work Plan and Recommendations.....	3
V. Well Drilling Activities at Well 29.....	4
VI. Sonar Activities	5
VII. Proposed Pressure Test	5

Exhibits

- A: Drilling logs and inspection reports for wells 18 and 57
- B: Drilling logs and inspection reports for well 29
- C: Sonar Reports
- D: Proposed Pressure Test Procedure

I. Introduction and Overview

International Gallery 10 consists of the cavern formed by wells 18, 52 and 57.

Well 18 was drilled in 1936 and a deep well pump was utilized to extract brine from this well until it was abandoned in 1942. The well was later replugged and abandoned in 1977.

Well 52 was drilled in 1972 and, along with well 57 (which was drilled in 1977), were operated as active brine injection and withdrawal wells until 1996 when both were plugged in June 1996.

The original mapped shape and outline of International Gallery 10 was determined based on a review of production records from wells 52 and 57.

On November 14, 2009, well 52 was reentered and drilled out (per DEC permit issued on November 6, 2009) and a bridge plug¹ was discovered at 2,220 ft. When the plug was completely removed, no pressure was encountered. A chart recorder had been placed on well 44 to monitor pressure in that well. The recorder showed there was 25 psig on well 44; this demonstrated no communication with well 52 since there was no pressure encountered on well 52, thus showing the isolation of the caverns.

At the same time, Baker Atlas also ran a segmented cement bond log and a microvertilog on the well after it was drilled out to a depth of 2,680 feet. A well valve was then installed and closed. A directional survey for well 52 (also provided to the DEC) was completed on November 17, 2009. The sonar for well 52 was inconclusive because the entire length of pipe to the bottom of the cavern was completely surrounded by cement. Only the bottom 34 feet of the sonar indicated a solution mined cavern was open. The logs (including the sonar survey and directional survey) for this activity at well 52 were provided to the DEC with Finger Lakes' May 14, 2010 Reservoir Suitability Report.

The initial Finite Element Analysis ("FEA") included with Finger Lakes' May 14, 2010 Reservoir Suitability Report discussed the effect of the pillar distance between the galleries (proposed Finger Lakes Gallery 1 and International Gallery 10), and stated that some micro-cracks and fissures might have been induced in the pillars during the brine storage. The FEA concluded that this was due to the relatively large 34/44 LPG gallery compared to small cavern spacing of 166 ft. Because of the lack of precise data regarding International Gallery 10, certain conservative assumptions were made in the FEA relating to pressure, location and the size of the cavern associated with International Gallery 10. The revised FEA (submitted with Finger Lakes' September 28, 2010 submission) provided an explanation of the conservative assumptions incorporated into the FEA.

¹ Well 52 had been previously plugged and abandoned on April 11, 1996.

Based on all available information, the largest area of the International Gallery 10 cavern is around wells 57 and 18; most of the dissolution was near those wells and not well 52 since the latter was primarily the production well and the casing and cement bond are intact.

In summary, Finger Lakes has provided a very conservative FEA of a future operational Finger Lakes Gallery 1 vs. a potentially leaking International Gallery 10. The FEA determined that the lack of pressure in International Gallery 10 would not affect or be affected by LPG operation of the proposed Finger Lakes Gallery 1. In addition, based on the fact that the well 52 cement bond was intact all the way to the bottom of the production casing, Finger Lakes concluded the possible leakage in International Gallery 10 was through well 18, but with few records to support evaluation of its integrity.

The purpose of this overview has been to set the stage for additional evaluation Finger Lakes proposed and the Department approved to conduct not only in Well 18, but also Wells 52 and 57, all of which are part of International Gallery 10, to provide further assurance that there is no connection between Finger Lakes Gallery 1 and International Gallery 10 and that Gallery 10 is tight. This Interim Report sets forth the work required under the approved Work Plan and describes the drilling activities conducted to date.

II. Approved Work Plan

Under the Work Plan, Finger Lakes was to initially install a wellhead and carefully drill out whatever plugs may be in place for Wells 18 and 57. Once the wells were drilled to their original total depth, cement bond and casing inspection logs would be obtained for each well. In addition, a sonar would be attempted on one of these wells to determine more precisely (instead of through historical production records) the shape of International Gallery 10 and the location and its southernmost wall or pillar.

Once the wells have been drilled out and logged, the Work Plan required Finger Lakes to evaluate the logs and sonar and prepare a recommended course of action with regard to whether each well can be completed to be used as a monitoring well or plugged and abandoned. Once an agreement has been reached with DEC as to how to treat each of these wells as noted, a separate procedure will be developed by Finger Lakes for submission and approval to DEC. Work may only begin on the completion of the well for monitoring purposes or for plugging and abandonment only upon the approval of DEC.

After the work over of wells 18 and 57 is completed, a hydrostatic pressure test will be performed on International Gallery 10 (wells 18, 52 and 57). Depending on the results of the well procedures set forth above, it may be necessary to run a liner or packer in one of these wells to accommodate the pressure test. This interim report contains the proposed procedure to conduct the pressure test.

III. Coordination with DEC

As noted below, the work performed under the approved Work Plan has been coordinated and approved by the DEC. Before any drilling activities occurred, drilling permits issued were issued. This Interim Report provides a discussion of the drilling activities at wells 18 and 57 (and also well 29, which the Department requested be worked over as well), and includes a recommendation as to the future of these wells.

Moving forward, Finger Lakes will coordinate its pressure test with DEC, particularly in light of the results from the well workovers and resulting logs described below. The pressure test will not commence until DEC has approved of the procedure to do so. A final report will be submitted to DEC once the pressure test is completed.

IV. Report on International Gallery 10 Drilling Activities Under Work Plan and Recommendations

A. Well 18 Drilling Activities

On [REDACTED], a drilling rig began work on well 18 on 13 3/8" surface casing and found [REDACTED]. Drilling continued to [REDACTED] feet and [REDACTED]. After contacting the Department, it was decided to run [REDACTED] and [REDACTED]. Drilling continued on air to the plug, which was encountered at [REDACTED]. At that point, [REDACTED]. At that point, drilling was continued on fluid with a mud pump. The casing was [REDACTED]. The tubing was [REDACTED]. The drill bit was then [REDACTED]. The [REDACTED] is located at a [REDACTED].

On [REDACTED] feet and [REDACTED]. The well was then [REDACTED].

B. Well 57 Drilling Activities

On [REDACTED] feet. The well was [REDACTED] because the [REDACTED]. The well was then [REDACTED].

CONFIDENTIAL

C. Conclusions

Cement bond and casing inspection logs were run during each of the above referenced well drilling activities in [REDACTED]. Logs, inspection reports, Baker Hughes evaluations, well schematics, well drilling and completion reports, and directional surveys for wells 18 and 57 are attached as **Exhibit A** to this Report. After a review of the cement bond and casing inspection logs and drilling narratives, Finger Lakes has concluded that any [REDACTED]

[REDACTED] However, as a result of the [REDACTED]

[REDACTED] Finger Lakes will submit to the Department for approval a procedure to [REDACTED] conclusion.

D. Recommendations

It is the opinion of Finger Lakes that the [REDACTED]. Since the information found during the implementation of the work plan, Finger Lakes knows the [REDACTED]. Therefore, even if [REDACTED]

Finger Lakes proposes to [REDACTED] are completed to [REDACTED]. Once tests are completed Finger Lakes will submit for Department approval its recommendation as to whether any of the [REDACTED] should be [REDACTED]

V. Well Drilling Activities at Well 29

In addition to the well drilling activities conducted pursuant to the Department approved Work Plan, the Department requested similar activity at well 29. On [REDACTED], a drilling rig began work on well 29² on [REDACTED]. The [REDACTED] was then reduced down to [REDACTED] and drilling was continued from [REDACTED] where the [REDACTED] was encountered. When the [REDACTED] was drilled through there was [REDACTED]. The drilling rig continued rotating to [REDACTED] at which time the drilling rig was secured with [REDACTED]

Finger Lakes has reviewed the logs and sonars completed on well 29 and has concluded that the well 29 [REDACTED]

[REDACTED], so in the [REDACTED]

[REDACTED] Logs, inspection

² API# 31-097-52142-00-01

CONFIDENTIAL

reports, Baker Hughes evaluations, well schematic, a well drilling and completion report, and the directional survey for well 29 are included in **Exhibit B**.

Finger Lakes proposes to [REDACTED] for [REDACTED]. A final decision on the [REDACTED] once the [REDACTED].

VI. Sonar Activities

Sonars were conducted in [REDACTED]. For [REDACTED], the [REDACTED] of the [REDACTED] at [REDACTED] and the [REDACTED] of the [REDACTED]. The [REDACTED] For [REDACTED], the [REDACTED] of the [REDACTED] was [REDACTED] and the [REDACTED] was [REDACTED].

A sonar was conducted in [REDACTED]. The [REDACTED] of the [REDACTED] for this well was [REDACTED] and the [REDACTED] was [REDACTED]. The estimate [REDACTED]. The sonar reports for wells [REDACTED] are attached hereto as **Exhibit C**.

VII. Proposed Pressure Test

As noted above, the Work Plan provided that, once well drilling activities are completed, Finger Lakes would perform a pressure test. The proposed procedure, for which Finger Lakes now seeks approval from the Department, is contained in **Exhibit D** attached.

CONFIDENTIAL

EXHIBIT A

Drilling Logs and Inspection Reports
For Wells 18 and 57

(Bound Separately)

CONFIDENTIAL

EXHIBIT B

Drilling Logs and Inspection Reports
For Well 29

(Bound Separately)

CONFIDENTIAL

EXHIBIT C

**Sonar Reports
For Wells 18, 29 and 57**

(Bound Separately)